

Benara Bearings and Pistons Limited

March 25, 2020

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities- Term Loan	8.41	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable)	Issuer not cooperating; Revised from CARE BB+; Stable on the basis of best available information
Long term Bank Facilities- Fund Based	38.60		
Short-term Bank Facilities- Non fund Based	2.99	CARE A4; ISSUER NOT COOPERATING* (A Four)	Issuer not cooperating; Revised from CARE A4+ on the basis of best available information
Total	50.00 (Rs. Fifty Crore only)		

*Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information and NDS from BBPL to monitor the ratings vide e-mail communications February 03, 2020, February 10, 2020, March 09, 2020, March 17, 2020, March 20, 2020 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, Benara Bearings and Pistons Limited has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement.

The ratings on Benara Bearings and Pistons Limited's bank facilities will now be denoted as **CARE BB; Stable/ CARE A4; ISSUER NOT COOPERATING**.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The revision in rating assigned to the bank facilities of Benara Bearings and Pistons Limited takes into account high reliance on external bank borrowings to support the working capital requirements. The ratings also take into susceptibility to raw material price fluctuation risk and incooperation from the company for the updated information and financial performance during FY19 (refers to the period from April 1 to March 31).

Detailed description of the key rating drivers

At the time of last rating on October 22, 2018 the following were the rating strengths and weaknesses:

Key Rating Weakness

Susceptibility to raw material price fluctuation risk

Aluminium, copper, steel and steel alloys are the key raw materials used for manufacturing of piston rings, piston, bearings, bushes etc. Moreover, other metals such as iron, etc. are also consumed for manufacturing piston rings. The metal demand, especially aluminium, copper and steel, is cyclical with prices driven by demand and supply conditions in the market coupled with strong linkage to the global market. However, for after market segment, the company is exposed to raw material price fluctuation risk.

Working capital intensive nature of operations

BBPL operates in the business which depends on working capital borrowings. The operating cycle for the year ended March 31, 2019 elongated to 183 days as against 152 days during FY18 and on account of stretch in average collection period to 104 days in FY19 from 72 days in FY18. Also, the average inventory days of the company increased to 122 (PY: 103) respectively.

Competition from organized and unorganized players

BBPL operates in an industry which comprises of several players in the unorganized sector and is also characterized by high degree of fragmentation. There also exist big sized players resulting in competition in the industry. The auto component industry is characterized by low entry barriers and low level of product differentiation due to minimal technological inputs and availability of standardized machinery for production. Therefore, pricing is the key for the company to garner customer

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

especially with no long term contracts. BBPL has a market share of around 2.74% in the organized market of pistons/piston rings in India.

Key Rating Strengths

Extensive experience of promoters and established track record of operations

BBPL, promoted by Mr. Panna Lal Jain (Chairman) and Mr. Vivek Benara (Managing Director). Mr. Panna Lal Jain has been associated with the company since its inception. He holds a bachelor's degree in engineering from IIT Roorkee and has around five decades of experience in the bearing industry and automotive component. Mr. Panna Lal Jain is ably supported by his son, Mr. Vivek Benara, who has more than two decades of experience in the field of auto component industry and retailing. BBPL is engaged in manufacturing of engine bearings & bushes for stationary marine engines, pistons, pins, piston rings and marketing of products like ball bearing, spark plugs, rocker arms, timing chains etc. for around five decades.

Moderate financial profile

BBPL financial risk profile stood moderate for FY19 and H1FY20. In H1FY20, BBPL's revenue increased by 8.36% to Rs. 61.37 crore (H1FY19: Rs. 56.63 crore). Also, the company's revenue in FY19 increased to Rs 116.69 crore (PY: Rs 105.25 crore) primarily on account of increase in overall demand of the products. The PBILD margin of the company stood at 9.31% during H1FY20 and 8.46% during FY19 as against profits of Rs 5.63 cr in H1FY20 and Rs 9.88 cr at PBILD levels reported by the company. As on September 30, 2019, overall gearing of the company stood at 0.79x, on March 31, 2019, overall gearing of the company stood moderate at 0.76x (PY: 0.69x). Also, Total Debt to GCA of the company stood moderate at 7.27x in FY19.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

About the Firm

Benara Bearings & Pistons Ltd (BBPL), incorporated in 1970 by Mr. Panna Lal Jain, manufactures aftermarket automotive parts and has 2 units in Agra, Uttar Pradesh which manufactures engine bearings & bushes for stationary marine engines, pistons, pins, piston rings, engine bearing and bushes for all applications. Furthermore, the company is involved in the marketing of products like ball bearing, spark plugs, rocker arms, timing chains etc. On March 22, 2018, the company raised Rs 33.49 cr through IPO proceeds and got listed on NSE SME and BSE Exchange.

Key Financial Indicators:

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)	Rs. Cr
Total operating income	105.25	116.69	
PBILD	-6.15	9.88	
PAT	3.55	4.15	
Overall gearing (times)	0.69	0.76	
Interest coverage (times)	-1.97	2.35	

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	Oct' 2028	8.41	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	38.60	CARE BB; Stable; ISSUER NOT COOPERATING*

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
					Issuer not cooperating; Revised from CARE BB+; Stable on the basis of best available information
Non-fund-based - ST-BG/LC	-	-	-	2.99	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A4+ on the basis of best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	8.41	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable on the basis of best available information	-	1)CARE BB+; Stable (22-Oct-18)	-	-
2.	Fund-based - LT-Cash Credit	LT	38.60	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable on the basis of best available information	-	1)CARE BB+; Stable (22-Oct-18)	-	-
3.	Non-fund-based - ST-BG/LC	ST	2.99	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A4+ on the basis of best available information	-	1)CARE A4+ (22-Oct-18)	-	-

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades

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